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BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

COMMISSIONERS

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AUG 21 2008

MIKE GLEASON, Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

DOCKET CONTROL

DOCKETED BY

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IN THE MATTER OF THE APPLICATION OF
PICACHO PEAK WATER COMPANY, INC. FOR
AUTHORITY TO INCUR DEBT TO FINANCE
WATER SYSTEM IMPROVEMENTS

DOCKET NO. W-02351A-07-0319

IN THE MATTER OF THE APPLICATION OF
PICACHO PEAK WATER COMPANY, INC. FOR
A RATE INCREASE

DOCKET NO. W-02351A-07-0686

PROCEDURAL ORDER**BY THE COMMISSION:**

On May 23, 2007, Picacho Peak Water Company, Inc. ("Picacho" or "Company") filed with the Arizona Corporation Commission ("Commission") an application for authority to incur debt to finance water system improvements under Docket No. W-02351A-07-0319.

On December 13, 2007, Picacho filed with the Commission an application for a rate increase under Docket No. W-02351A-07-0686.

Pursuant to a Procedural Order issued February 11, 2008, Docket Nos. W-02351A-07-0319 and W-02351A-07-0686 were consolidated.

On March 20, 2008, the Commission's Utilities Division Staff ("Staff") notified Picacho that its applications were sufficient as of February 28, 2008.

Staff filed its Staff Report May 21, 2008 ("Original Staff Report").

On June 9, 2008, the Company filed its Comments on Staff Report ("Comments"). In its Comments, the Company proposed an alternate rate structure.

On August 8, 2008, Staff filed its Response to the Company's Comments on Staff Report ("Responsive Staff Report") in this matter. In the Responsive Staff Report, Staff recommended a rate structure that would result in a greater rate increase than that originally discussed in the rate application notice mailed by the Company to its customers on December 13, 2007. Furthermore, both

1 the Original Staff Report and the Responsive Staff Report noted that, although the Company had
2 provided a proposed form of financing application notice, the Company did not file any affidavit of
3 publication or mailing of notice regarding that application.

4 IT IS THEREFORE ORDERED that the Company shall provide to its customers public
5 notice of Staff's recommended rate structure, as well as notice of the financing application, in the
6 following form and style:

7 **NOTICE OF STAFF'S RECOMMENDED RATES FOR**
8 **PICACHO PEAK WATER COMPANY**
9 **Docket No. W-02351A-07-0686**

10 **AND**

11 **PUBLIC NOTICE OF AN APPLICATION FOR AN ORDER**
12 **AUTHORIZING THE ISSUANCE OF DEBT**
13 **BY PICACHO PEAK WATER COMPANY**
14 **Docket No. W-02351A-07-0319**

15 On December 13, 2007, Picacho Peak Water Company ("Company") filed an
16 application with the Arizona Corporation Commission for an overall revenue increase
17 of \$26,980, which is an increase of approximately 84.77 percent. On June 9, 2008, the
18 Company filed a revised rate proposal, for an overall revenue increase of \$34,296,
19 which is an increase of approximately 107.75 percent.

20 Under the Company's June 9, 2008, proposal, the typical residential customer on a ¾"
21 meter, with a median usage of 7,750 gallons per month, would experience a monthly
22 increase of \$10.97, or 35.2 percent. The typical commercial customer on a ¾" meter,
23 with a median usage of 10,929 gallons per month, would experience a monthly
24 increase of \$17.97, or 16.1 percent. The commercial customer on a 2" meter, with a
25 median usage of 165,825 gallons per month, would experience a monthly increase of
26 \$1,266.41 or 198.3 percent.

27 The Commission's Utilities Division Staff ("Staff") has recommended an overall
28 revenue increase of \$34,572, which is an increase of approximately 108.6 percent.
Under Staff's proposal, the typical residential customer on a ¾" meter, with a median
usage of 7,750 gallons per month, would experience a monthly increase of \$14.76, or
47.4 percent. The typical commercial customer on a ¾" meter, with a median usage of
10,929 gallons per month, would experience a monthly increase of \$76.94, or 68.7
percent. The commercial customer on a 2" meter, with a median usage of 165,825
gallons per month would experience a monthly increase of \$1,674.02, or 262.1
percent.

Additionally, on May 23, 2007, the Company filed a financing application with the
Arizona Corporation Commission for an order authorizing the Company to issue
\$150,000 of debt.

1 Customers should bring to the Commission's attention any questions or concerns
2 related to either of the Company's applications, including service, billing procedures
3 or other factors important in determining the reasonableness of the charges or of the
4 financing. Copies of the applications and Staff's recommendations are available at the
5 Company's offices [insert address] and the Commission's offices at 1200 W.
6 Washington St. Phoenix, Arizona 85007 and 400 West Congress, Suite 218, Tucson,
7 Arizona 85701, for public inspection during regular business hours and on the internet
8 via the Commission website (www.azcc.gov) using the e-docket function. If you have
9 any questions about this application, you may contact the Company at [insert
10 telephone number]. If you wish to file written comments on the applications or want
11 further information you may contact the Consumer Services Section of the
12 Commission by calling 1-800-222-7000 or 1-602-542-4251 (Phoenix) or 1-800-535-
13 0148 or 1-520-628-6550 (Tucson). Written public comments may also be filed by
14 mailing the original and 13 copies (referencing Docket Numbers W-02351A-07-0676
15 or W-2315A-07-0319) to the Commission's Docket Control, 1200 W. Washington St.
16 Phoenix, AZ 85007.

17 Customer comments submitted in writing will be placed in the file, which the
18 Commission reviews prior to making its final decision on the Application. It is
19 important that customers wishing to contact the Commission do so by September 5,
20 2008, so that the Commission can consider customer comments and concerns in
21 reaching its decision.

22 Intervention in the Commission's proceedings on the applications shall be permitted to
23 any person entitled by law to intervene and having a direct substantial interest in this
24 matter. Persons desiring to intervene must file a Motion to Intervene with the
25 Commission, which must be served upon the Company and which, at a minimum,
26 shall contain the following information:

- 27 1. The name, address and telephone number of the proposed intervenor and of
28 any person upon whom service of documents is to be made if different that the
intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the
application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed
to the Company.

The granting of Motions to Intervene shall be governed by Arizona Administrative
Code R14-3-105, except that all Motions to Intervene must be filed with the
Commission not later than September 5, 2008.

1 IT IS FURTHER ORDERED that the Company shall mail to each of its customers a copy
2 of the above notice as soon as possible, but no later than August 25, 2008.

3 IT IS FURTHER ORDERED that the Company shall file certification of mailing not later
4 than September 1, 2008.

5 IT IS FURTHER ORDERED that notice shall be deemed complete upon mailing of same,
6 notwithstanding the failure of an individual customer to receive the notice.

7 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
8 Communications) applies to this proceeding and shall remain in effect until the Commission's
9 Decision in this matter is final and non-appealable.

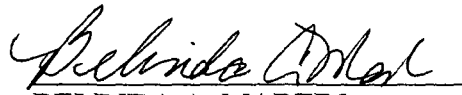
10 IT IS FURTHER ORDERED that the time periods specified herein shall not be extended
11 pursuant to Rule 6(a) or (e) of the Rules of Civil Procedure.

12 IT IS FURTHER ORDERED that all parties must comply with Rule 31 and Rule 38 of the
13 Rules of the Arizona Supreme Court with respect to practice of law and admission *pro hac vice*.

14 IT IS FURTHER ORDERED that, because the Company has not filed an affidavit
15 demonstrating that it provided notice of the financing application to its customers, the **time clock** for
16 issuing a Decision in this matter is **extended for 30 days** in order that the Company may comply
17 with A.R.S § 40-302 and the terms of this Procedural Order.

18 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
19 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

20 DATED this 19th day of August, 2008.

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24 BELINDA A. MARTIN
ADMINISTRATIVE LAW JUDGE
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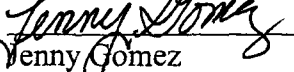
1 Copies of the foregoing mailed
2 this ~~19th~~ day of August, 2008, to:

3 Bill McCabe, President
4 PICACHO PEAK WATER COMPANY, INC.
5 8715 East 20th Street
6 Tucson, Arizona

7 Steve Wene, Esq.
8 MOYES STOREY, LTD
9 1850 North Central Avenue, Suite 1100
10 Phoenix, Arizona 85004

11 Janice Alward, Chief Counsel
12 Legal Division
13 ARIZONA CORPORATION COMMISSION
14 1200 W. Washington Street
15 Phoenix, Arizona 85007

16 Ernest Johnson, Director
17 Utilities Division
18 ARIZONA CORPORATION COMMISSION
19 1200 W. Washington Street
20 Phoenix, Arizona 85007

21 By: 
22 Jenny Gomez
23 Secretary to Belinda A. Martin
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